

GENESEE SCHOOL DISTRICT #6

GENESEE, MICHIGAN

AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2004

## **TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Report of Independent Accountants	I
Management's Discussion and Analysis	II - VIII
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements:	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Fiduciary Fund	
Statement of Fiduciary Net Assets	5
Notes to the Financial Statements	6 – 17
Required Supplementary Information	
Budgetary Comparison Schedules:	
General Fund	18
Other Supplemental Information	
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	19
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	20
Combining Balance Sheet – School Service Fund	21
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – School Service Fund	22
Combining Balance Sheet – Debt Retirement Fund	23
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Debt Retirement Fund	24
Individual Schedules of Revenues, Expenditures and Other Financing Uses:	
Schedule 1 - General Fund - Schedule of Revenues	25
Schedule 2 - General Fund - Schedule of Expenditures	26 – 29
Other Supplemental Schedules:	
Schedule 3 - Trust and Agency Fund – Schedule of Receipts and Disbursements – Student Activities	30
Schedule 4 - Schedule of Bond Principal and Interest Requirements	31 – 33



*Lewis & Knopf, CPAs, P.C.*

"Serving You with Trust and Integrity"

August 3, 2004

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Genesee School District #6

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Genesee School District #6, as of and for the year ended June 30, 2004, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Genesee School District #6's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Genesee School District #6 as of June 30, 2004, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report under separate cover dated August 3, 2004 on our consideration of the School District's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1, the School District has implemented a new financial reporting model, as required by the provisions of the *GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of July 1, 2003.

The management's discussion and analysis and budgetary comparison information on pages II - VIII and 18 are not required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Genesee School District #6's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Lewis & Knopf P.C.*  
LEWIS & KNOPF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

-I-

GENESEE SCHOOL DISTRICT #6  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

---

Genesee School District #6, a K-12 school District located in Genesee County, Michigan, is in its first year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be the Genesee School District #6's Administration's discussion and analysis of the financial results for the fiscal year ended June 30, 2004.

Generally accepted accounting principles (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District Wide Financial Statements and Fund Financial Statements.

**Fund Financial Statements:**

The School District's fund financial statements provide detailed information about the most significant funds – not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes (the Food Service and Athletics Funds are examples) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as bond-funded construction funds used for voter-approved capital projects). The governmental funds of the School District use the following accounting approach:

Governmental funds – All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

**District Wide Financial Statements:**

The District wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. For example, assets that are restricted for use in the Debt Funds solely for the payment of long term principal or interest are grouped with unrestricted assets of the General Fund. Capital assets and obligations of the District are reported in the Statement of Net Assets of the District wide financial statements.

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

GENESEE SCHOOL DISTRICT #6  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

---

**District Wide Financial Statements:** (Continued)

These two statements report the Genesee School District #6 net assets – the difference between assets and liabilities, as reported in the statement of net assets – as one way to measure the School District’s financial health or financial position. Over time, increases or decreased in the School District’s net assets – as reported in the statement of activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District’s operating results. However, the School District’s goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and the statement of activities report the governmental activities for the School District, which encompasses all of the School District’s services, including instruction, support services, community services, athletics, and food services. Property taxes, unrestricted State aid (foundation allowance revenue), and State and federal grants finance most of these activities.

**The School District as Trustee – Reporting the School District’s Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds and its private purpose trust funds. All of the School District’s fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the School District’s other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**SUMMARY OF NET ASSETS:**

The following summarizes the net assets at the fiscal year ended June 30, 2004:

**NET ASSETS SUMMARY**

	<u>2004</u>
<b><u>ASSETS</u></b>	
Current Assets	\$2,645,604
Non-Current Assets	<u>9,440,219</u>
<b><u>TOTAL ASSETS</u></b>	<b><u><u>\$12,085,823</u></u></b>
<b><u>LIABILITIES</u></b>	
Current Liabilities	\$1,915,373
Long-Term Liabilities	<u>10,444,305</u>
Total Liabilities	\$12,359,678
<b><u>NET ASSETS</u></b>	
Invested in Capital Assets - Net of Related Debt	(1,310,808)
Restricted - Debt Service	86,229
Unrestricted	<u>950,724</u>
Total Net Assets	<b><u><u>(\$273,855)</u></u></b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u><u>\$12,085,823</u></u></b>

GENESEE SCHOOL DISTRICT #6  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

---

**RESULTS OF OPERATIONS:**

For the fiscal year ended June 30, 2004, the District wide results of operations were:

	<u>2004</u>
<b><u>REVENUES</u></b>	
<u>General Revenues:</u>	
Property Taxes Levied for General Operations	\$271,928
Property Taxes Levied for Debt Service	448,662
State of Michigan Unrestricted Foundation Aid	6,085,750
Other General Revenues	<u>100,991</u>
Total General Revenues	\$6,907,331
<u>Operating Grants:</u>	
Federal	688,605
State of Michigan	553,132
Other Operating Grants	<u>94,284</u>
Total Operating Grants	\$1,336,021
<u>Charges for Services:</u>	
Food Service	72,462
Athletics	20,478
Other Charges for Services	<u>10,210</u>
Total Charges for Services	<u>\$103,150</u>
Total Revenues	\$8,346,502
<b><u>EXPENSES</u></b>	
Instruction & Instructional Support	5,423,725
Support Services	1,888,362
Community Services	13,124
Food Service	305,754
Athletics	247,853
Bond Issuance Costs	61,197
Interest on Long-Term Debt	540,330
Depreciation	<u>242,918</u>
Total Expenses	<u>\$8,723,263</u>
<b><u>(DECREASE) IN NET ASSETS</u></b>	(\$376,761)
<b><u>BEGINNING NET ASSETS</u></b>	<u>102,906</u>
<b><u>ENDING NET ASSETS</u></b>	<u><u>(\$273,855)</u></u>

GENESEE SCHOOL DISTRICT #6  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

---

**GOVERNMENT- WIDE FINANCIAL ANALYSIS**

Analysis of Financial Position:

During the year ended June 30, 2004, the District's Total Net Assets decreased by \$376,761 to a total of \$(273,855). The largest portion of the net assets are the District's investment in capital assets. Net assets (invested in capital assets, net of related debt) decreased by \$310,608 during the year due depreciation and principal payments on related debt exceeding the purchase of new capital assets. The deficit in investment of capital assets is due in part to the loan balance in the Michigan School Bond Loan Fund. The districts Unrestricted Net Assets decrease by \$310,608 during the year and the restricted portion of the net assets increased by \$29,239. The restricted Net Assets consist of the Investment in Capital Assets-net of related debt and the restricted debt retirement funds that may only be used to pay bonded debt. The unrestricted net assets may be used to fund the educational services provided to students. The significant changes in unrestricted net assets was the general fund expenditures exceeding revenues.

**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS**

Analysis of Financial Position

The focus of the District's governmental funds is to provide information on near term inflows, outflows , and balances of spendable resources. Such information is useful in assessing the district's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a governments net resources available for spending at the end of the fiscal year. An analysis of changes for the governmental funds is as follows:

General Fund

The district's general fund is the chief operating fund of the district. Unreserved fund balance for the general fund decreased by \$254,311 during the year with the decrease coming primarily in cash. Revenues for the year decreased by \$183,000 primarily from state aid. Expenditures and other financing uses increased by \$167,000, primarily from increases in wages and fringe benefits. The major source of general fund revenues is state aid and taxes. An analysis of them is as follows:

1. State of Michigan Unrestricted Aid (Net State Foundation Grant)  
The State of Michigan aid, unrestricted, is determined with the following variables:
  - a. State of Michigan State Aid Act per student foundation allowance
  - b. Student Enrollment - Blended at 80 percent of current year's fall count and 20 percent of prior year's winter count
  - c. The District's non-homestead tax levy.
2. Per Student, Foundation Allowance:  
Annually, the State of Michigan establishes the per student foundation allowance. The Genesee School District #6 foundation allowance was \$6,700 per student for the 2003-2004 school year, the same as the prior year. The foundation allowance was decreased by \$74 per student from \$6,700 to \$6,626 as the result of an executive order by the governor.
3. Student Enrollment:  
The District's student enrollment for the fall count of 2003-2004 was 990 students. A decrease of 20 students from the prior year.

GENESEE SCHOOL DISTRICT #6  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

---

**FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS – GOVERNMENTAL FUNDS (Continued)**

Analysis of Financial Position (Continued)

General Fund (Continued)

4. Property Taxes Levied For General Operations (General Fund Non-Homestead Taxes)

The District levies 17.9748 mills of property taxes for operations (General Fund) on Non-Homestead Properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable valuation increase in property values is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

The District's non-homestead property tax revenue for the 2003-2004 fiscal year was \$270,064. An increase of \$6,987 from the prior year.

Debt Retirement Fund

The districts debt retirement fund balance increased by \$29,239. The fund balance is restricted to use for payments on bonded debt. The funds had expenditures of \$698,309 in paying the required interest and principal payments of the school's bonded debt. The majority of the funds revenue is derived from tax collections. An analysis of them is as follows:

1. Debt Fund Property and Industrial Facility In Lieu of Taxes

The District's debt fund levy, which is used to pay the principal and interest on bond obligations, is based on the taxable valuation of all properties: homestead and non-homestead. In addition, the District collects IFT (Industrial Facilities Taxes) In Lieu of Taxes that are essentially taxed at 50 percent of the regular tax rate.

For 2003-2004, the District's debt millage levy was 5 mills that generated revenue of \$445,654. An increase of \$3,825 from the prior year.

Special Revenue Funds

The districts special revenue funds provide food service and athletic opportunities to students. During the year the fund balances decreased by \$34,739, primarily due to expenditures related to new track surfacing. The deficit in athletics fund balance will be eliminated in future years as future cellular tower rental revenue is earmarked for athletics.



GENESEE SCHOOL DISTRICT #6  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

**GENERAL FUND BUDGETARY HIGHLIGHTS:**

**GENERAL FUND BUDGET VS. ACTUAL**

<u>Fiscal Year</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Actual &amp; Original Budget %</u>	<u>Variance Actual &amp; Final Budget %</u>
Revenue	\$7,591,106	\$7,586,364	\$7,542,872	(0.64)	(0.57)
Expenditures	7,795,884	8,093,623	7,797,183	(0.02)	3.66
<b><u>TOTAL</u></b>	<b><u>(\$204,778)</u></b>	<b><u>(\$507,259)</u></b>	<b><u>(\$254,311)</u></b>		

**ANALYSIS OF BUDGETS:**

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, Genesee School District #6 amends its budget quarterly during the school year. The June, 2004 budget amendment was the final budget for the fiscal year. There were no significant variations between the original and final budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**A. Debt, Principal Payments**

The District made principal payments on bonded, long term debt obligations that reduced the amount of the District's long term liabilities as follows:

	<u>Principal Balance 7-01-03</u>	<u>Increases 6-30-04</u>	<u>Principal Payments 6-30-04</u>	<u>Principal Balance 6-30-04</u>
Bonds Payable	\$8,344,046	\$1,370,000	\$1,620,000	\$8,094,046
Bus Note & Contracts Payable	133,228	0	20,417	112,811
MI School Bond Loan Fund	2,173,241	370,929	0	2,544,170
Vacation & Sick Days Payable	82,176	0	17,797	64,379
<b><u>Total Long-Term Bond Obligations</u></b>	<b><u>\$10,732,691</u></b>	<b><u>\$1,740,929</u></b>	<b><u>\$1,658,214</u></b>	<b><u>\$10,815,406</u></b>

Significant debt transactions for the year besides the required principal and interest payments were the advance refunding of the 1993 Debt to reduce the District's interest costs and the activity of the Michigan School Bond Loan Fund as follows:

GENESEE SCHOOL DISTRICT #6  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

---

**CAPITAL ASSET AND DEBT ADMINISTRATION:** (Continued)

B. Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements of the 1987 Debt Issue as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements for the 1987 Debt Issue. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. The balance payable at June 30, 2004 was \$2,544,170.

C. Capital Assets

The district's net investment in capital assets increased by \$25,537 during the fiscal year. This can be summarized as follows:

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
Capital Assets	\$15,111,064	\$352,925	\$0	\$15,463,989
Less: Accumulated Depreciation	(5,696,382)	(327,388)	0	(6,023,770)
<u>Net Investment Capital Outlay</u>	<u>\$9,414,682</u>	<u>\$25,537</u>	<u>\$0</u>	<u>\$9,440,219</u>

Significant transactions were the track reconstruction.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Business Office, Genesee School District #6.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	<u>Governmental Activities</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash and Cash Equivalents	\$1,292,158
Due from Other Governmental Units	1,350,266
Inventory	3,180
Total Current Assets	<u>\$2,645,604</u>
<u>NON-CURRENT ASSETS</u>	
Capital Assets	15,463,989
Less: Accumulated Depreciation	<u>(6,023,770)</u>
Total Noncurrent Assets	<u>\$9,440,219</u>
<u>TOTAL ASSETS</u>	\$12,085,823
<u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	25,443
State Aid Anticipation Note Payable	1,000,000
Accrued Expenses	59,772
Salaries Payable	445,651
Deferred Revenue	13,406
Current Portion of Long-Term Obligations	371,101
Total Current Liabilities	<u>\$1,915,373</u>
<u>NON-CURRENT LIABILITIES</u>	
Noncurrent Portion of Long-Term Obligations	<u>10,444,305</u>
<u>TOTAL LIABILITIES</u>	\$12,359,678
<u>NET ASSETS</u>	
<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	(1,310,808)
Restricted for:	
Debt Service	86,229
Unrestricted	<u>950,724</u>
<u>TOTAL NET ASSETS</u>	<u><u>(\$273,855)</u></u>

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
STATEMENT OF ACTIVITIES  
JUNE 30, 2004

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue &amp; Change in Net Assets</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$5,423,725	\$0	\$1,025,494	(\$4,398,231)
Support Services	1,888,362	10,210	105,874	(1,772,278)
Community Services	13,124	0	0	(13,124)
Food Service	305,754	72,462	204,653	(28,639)
Athletics	247,853	20,478	0	(227,375)
Bond Issuance Costs	61,197	0	0	(61,197)
Interest on Long-Term Obligations	540,330	0	0	(540,330)
Depreciation - Unallocated	242,918	0	0	(242,918)
<u>TOTALS</u>	<u>\$8,723,263</u>	<u>\$103,150</u>	<u>\$1,336,021</u>	<u>(\$7,284,092)</u>
General Revenues:				
Taxes:				
Property Taxes, Levied for General Purposes				720,590
State Aid				6,085,750
Grants and Contributions Not Restricted to				
Specific Programs				26,803
Investment Earnings				17,401
Miscellaneous				56,787
Total General Revenues and Transfers				<u>\$6,907,331</u>
Change in Net Assets				<u>(\$376,761)</u>
Net Assets - Beginning - As Restated				<u>102,906</u>
<u>NET ASSETS - ENDING</u>				<u>(\$273,855)</u>

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2004

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$1,158,674	\$133,484	\$1,292,158
Due from Other Funds	17,352	11,788	29,140
Due from Other Governmental Units	1,350,266	0	1,350,266
Inventory	0	3,180	3,180
<u>TOTAL ASSETS</u>	<u>\$2,526,292</u>	<u>\$148,452</u>	<u>\$2,674,744</u>
<u>LIABILITIES</u>			
Accounts Payable	\$9,807	\$15,636	\$25,443
State Aid Anticipation Note Payable	1,000,000	0	1,000,000
Due to Other Funds	11,788	17,352	29,140
Salaries Payable	445,651	0	445,651
Deferred Revenue	13,406	0	13,406
Total Liabilities	\$1,480,652	\$32,988	\$1,513,640
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	0	3,180	3,180
Debt Retirement	0	86,229	86,229
Unreserved:			
Undesignated, Reported In:			
General Fund	1,045,640	0	1,045,640
School Service Funds	0	26,055	26,055
Total Fund Balances	<u>\$1,045,640</u>	<u>\$115,464</u>	<u>\$1,161,104</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$2,526,292</u>	<u>\$148,452</u>	<u>\$2,674,744</u>

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET ASSETS OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2004

---

Total Governmental Fund Balances:		\$1,161,104
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$15,463,989 and the accumulated depreciation is \$6,023,770		9,440,219
Accrued Interest on Long-Term Debt		(59,772)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds Payable	\$8,094,046	
Contracts Payable	112,811	
MI School Bond Loan	2,544,170	
Sick Days Payable	64,379	
Total Long-Term Liabilities		<u>(10,815,406)</u>
<u>TOTAL NET ASSETS -</u> <u>GOVERNMENTAL ACTIVITIES</u>		<u>(\$273,855)</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	General	Other	Total
	Fund	Governmental	Governmental
		Funds	Funds
<u>REVENUES</u>			
Local Sources	\$363,462	\$598,977	\$962,439
State Sources	6,621,315	17,567	6,638,882
Federal Sources	501,519	187,086	688,605
Total Revenues	\$7,486,296	\$803,630	\$8,289,926
<u>EXPENDITURES</u>			
Current:			
Instruction	5,417,471	0	5,417,471
Student Services	268,522	0	268,522
Instructional Support	166,861	0	166,861
General Administration	319,348	0	319,348
School Administration	509,219	0	509,219
Business Administration	44,759	0	44,759
Operation & Maintenance of Plant	629,821	0	629,821
Transportation	182,956	0	182,956
Support Services - Other	69,685	0	69,685
Community Services	13,124	0	13,124
Food Service	0	543,304	543,304
Debt Service	0	698,309	698,309
Total Expenditures	\$7,621,766	\$1,241,613	\$8,863,379
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	(\$135,470)	(\$437,983)	(\$573,453)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers from (to) Other Funds	(155,000)	155,000	0
Other Transfers	36,159	277,483	313,642
Total Other Financing Sources (Uses)	(\$118,841)	\$432,483	\$313,642
Net Change in Fund Balance	(\$254,311)	(\$5,500)	(\$259,811)
<u>FUND BALANCE - BEGINNING</u>	1,299,951	120,964	1,420,915
<u>FUND BALANCE - ENDING</u>	\$1,045,640	\$115,464	\$1,161,104

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004

---

Total net change in fund balances - governmental funds	(\$259,811)
--------------------------------------------------------	-------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	25,537
----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount of repayments reported as expenditures in the governmental funds.	1,640,417
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Loan Proceeds	(1,740,929)
---------------	-------------

Change in accrued interest on long-term liabilities	(59,772)
-----------------------------------------------------	----------

Decrease in accrued compensated absences	<u>17,797</u>
------------------------------------------	---------------

	<u><u>(\$376,761)</u></u>
--	---------------------------

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES



GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
JUNE 30, 2004

---

---

	Trust & Agency
<u>ASSETS</u>	
Cash and Cash Equivalents	<u>\$121,474</u>
<u>TOTAL ASSETS</u>	<u>\$121,474</u>
<u>LIABILITIES</u>	
Due to Student Groups	<u>\$121,474</u>
<u>TOTAL LIABILITIES</u>	<u>\$121,474</u>

See accompanying notes to the basic financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

---

1) REPORTING ENTITY

The accompanying basic financial statements have been prepared in accordance with criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing arrangements. Based on application of the criteria, the entity does not contain component units.

The District receives funding from local, state, federal and interdistrict government sources and must comply with the accompanying requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" body that has separate legal standing and is fiscally independent of the governmental entities. As such, the Board of Education has decision-making authority, the authority to levy taxes, and determine its budget, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Genesee School District #6 conform to generally accepted accounting principles as applicable to school districts. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. Certain of the significant changes in the Statement include the following:

A Management Discussion and Analysis (MD&A) section to provide an analysis of the District's overall financial position and results of operations.

Financial statements prepared with full accrual accounting for all of the District's activities.

- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements and notes to the financial statements.

A) BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions. General government revenues also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

The District does not allocate indirect costs. Inter-fund transactions have been eliminated in the government-wide financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

---

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) BASIC FINANCIAL STATEMENTS - FUND FINANCIAL STATEMENTS

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the general-purpose financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund

The General Fund is used to record the general operations of the District pertaining to education and those operations not provided for in other funds. Included are all transactions related to the approved current operating budget.

Special Revenue Funds

Special Revenue Funds are used to segregate the transactions of particular activities from regular revenue and expenditure accounts. The District maintains full control of these funds. The District maintains two school service funds: Food Service and Athletic Funds.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major facilities by the School District.

Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. The District's fiduciary funds consist of agency funds which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are used to account for amount held for student and employee groups.

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

---

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF ACCOUNTING/MEASUREMENT FOCUS (Continued)

Accrual

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within 60 days of year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the District receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

D) CASH AND CASH EQUIVALENTS

The District considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price and investments that do not have an established market are reported at estimated fair value. Cash deposits are reported at carrying amount which reasonably estimates fair value.

E) PREPAID ASSETS

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

F) INVENTORY

On government-wide financial statements are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. Inventory in governmental funds consists of expendable supplies held for consumption.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

---

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G) CAPITAL ASSETS

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) using a \$5,000 capitalization threshold and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of one hundred dollars. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and Improvements	20 – 50 years
Furniture and Equipment	5 – 10 years
Vehicles and Buses	5 years

H) INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities columns of the statement of net assets.

I) COMPENSATED ABSENCES

The School District reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences.” Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the School District’s past experience of making termination payments.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

---

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS (Continued)

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

K) FUND BALANCE RESERVES

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories.

L) NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

M) ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

N) BUDGETARY DATA

The budgetary process is prescribed by provisions of the State of Michigan Budget Act and entails the preparation of budgetary documents within an established timetable. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the function level. Any budgetary modifications may only be made by resolution of the Board of Education.

The School District follows these procedures in establishing the budgets for the individual funds as reflected in the financial statements.

- 1) Prior to June 30, the Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1.
- 2) A public hearing is conducted during June to obtain taxpayer comments.
- 3) Prior to June 30, the budget is legally enacted through passage of a resolution.
- 4) For purposes of meeting emergency needs of the School District, transfer of appropriations may be made by the authorization of the Superintendent. Such transfers of appropriations must be approved by the Board of Education at its next regularly scheduled meeting.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

---

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N) BUDGETARY DATA (Continued)

- 5) The School Superintendent is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- 6) During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary.

3) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

P.A. 621 of 1978, Section 18 (1), as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the School District's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the School District for these budgetary funds were adopted to the functional level.

During the year ended June 30, 2004, the School incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

For the year ended June 30, 2004, the athletic fund had a deficit fund balance.

4) DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the District to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC).

The following information classifies deposits and investments by categories of risk as defined by GASB Statement No. 3, "Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements."

Deposits - The Board of Education authorized the following financial institutions for the deposit of the District's funds for the year ended June 30, 2003: Bank One and Fifth Third Bank.

The District had \$300.00 of petty cash displayed as cash and cash equivalents.

The District's deposits are in accordance with statutory authority.

At June 30, 2004, the carrying amount of the School District's deposits was \$1,413,632 and the bank balance was \$ 1,596,894. \$274,441 of the bank balance was covered by federal depository insurance and \$1,322,453 was uninsured and uncollateralized.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

---

4) DEPOSITS AND INVESTMENTS (Continued)

Investments - The School District's investments are required to be categorized to give an indication of the level of risk assumed by the District at June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments for which securities are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or its trust department or agent but not in the School District's name.

The District had no investments at June 30, 2004.

5) PROPERTY TAXES

The School District levies its property taxes on December 1 and various municipalities collect its property taxes and remit them to the District through February. The delinquent real property taxes of the District are purchased by the County, and delinquent personal property taxes continue to be collected by the municipalities and recorded as revenue as they are collected. The county sells tax notes, the proceeds of which have been used to pay the District for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

6) RECEIVABLES

Receivables at June 30, 2004, consist of taxes, accounts (fees), intergovernmental grants and interest. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds.

A summary of the principal items of intergovernmental receivables (due from other governmental units) follows:

<u>GOVERNMENTAL ACTIVITIES</u>	<u>AMOUNT</u>
State Aid	\$ 1,197,724
Federal Grants	127,122
Other Grant Programs & Fees	<u>25,420</u>
 <u>TOTAL GOVERNMENTAL ACTIVITIES</u>	 <u>\$ 1,350,266</u>

7) UNEMPLOYMENT COMPENSATION

The District is subject to the Michigan Employment Security Act and has elected the reimbursement method of financing. Under this method, the District must reimburse the Employment Commission for all benefits charged against the District for the year. As of June 30, 2004 the School District had no estimated claims payable in conjunction with the program.

8) SHORT-TERM DEBT

The District borrowed \$1,000,000 at 1.15% per annum on August 28, 2003, from Davison State Bank on a State Aid Anticipation Note. The short-term note proceeds were used to meet cash flow needs. The balance as of June 30, 2004 was \$1,000,000. The note matures August 23, 2004.



GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

9) CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	<u>BALANCE</u> <u>JULY 1, 2003</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> <u>JUNE 30, 2004</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
Buildings and Improvements	\$12,929,734	\$0	\$0	\$12,929,734
Land Improvements	1,370,478	352,925	0	1,723,403
Equipment and Furniture	309,723	0	0	309,723
Vehicles	501,129	0	0	501,129
Totals at Historical Cost	<u>\$15,111,064</u>	<u>\$352,925</u>	<u>\$0</u>	<u>\$15,463,989</u>
Less: Accumulated Depreciation				
Buildings and Improvements	(4,288,641)	(191,119)	0	(4,479,760)
Land Improvements	(920,483)	(61,680)	0	(982,163)
Equipment and Furniture	(161,261)	(46,116)	0	(207,377)
Vehicles	(325,997)	(28,473)	0	(354,470)
Total Accumulated Depreciation	<u>(\$5,696,382)</u>	<u>(\$327,388)</u>	<u>\$0</u>	<u>(\$6,023,770)</u>
<u>GOVERNMENTAL ACTIVITIES</u>				
<u>CAPITAL ASSETS - NET</u>	<u>\$9,414,682</u>	<u>\$25,537</u>	<u>\$0</u>	<u>\$9,440,219</u>

Depreciation expense, when appropriate, was allocated to governmental functions. Depreciation expense that was not allocated appears on the statement of activities as "unallocated". Depreciation was recorded on the statement of activities as follows:

Instruction	\$ 6,254
Support Services	67,913
Food Service	422
Athletics	9,881
Unallocated	<u>242,918</u>
<u>TOTAL DEPRECIATION EXPENSE</u>	<u>\$ 327,388</u>

10) SELF INSURANCE POOL

The School District participates in a public entity risk pool (self-insurance pool) for its workers' compensation, property and casualty, general liability, and boiler insurance. The pool is through the MASB/SET/SEG and is administered by Corporate Services. The pool provides for reinsurance by various insurance companies at various levels, depending on the coverage. Should the pool experience significant losses in the aggregate, the School District may be required to pay additional monies to the pool. At present, the MASB/SET/SEG has not required additional funds, but rather has issued refunds based on experience gains over experience losses over the last few years. Premiums for the year ended June 30, 2004 were \$48,516 and the School District received a dividend refund of \$4,104.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

---

11) GENERAL LONG-TERM DEBT

A) 2000 School Building and Site and Refunding Bonds

On March 1, 2000, the District issued \$7,015,000.00 in general obligation bonds with coupon interest rates of 4.50% to 6.00%.

On October 24, 2001, the District issued 2001 Refunding Bonds and advanced refunded \$5,295,000.00 of these bonds. The balance at June 30, 2004 was \$895,000.

B) Prior Period Defeasance

On October 24, 2001, the District defeased certain obligation bonds by placing the proceeds of the new general obligation bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the District's government-wide financial statements. On June 30, 2004, \$5,775,000 of bonds outstanding are considered defeased.

C) 2004 Refunding Bonds

On March 25, 2004, Genesee School District #6 issued \$1,370,000 in General Obligation – Unlimited Tax Bonds with an average interest ranging from of 2.00% to 3.80%. The District issued the bonds to advance refund the outstanding 1993 Bond Issue with a interest rate ranging from 4.10% to 5.75%. The net proceeds were deposited with an escrow agent and used to purchase U.S.Government Securities. These securities will provide for all future debt service on the 1993 Bond Issue. As a result, the 1993 Bond Issue is considered defeased and the District has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$1,295,000 at June 30, 2004.

The advanced refunding reduced total debt service payments over the next thirteen years by \$495,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$150,000. The balance of the 2004 Refunding Bonds as of June 30, 2004 was \$1,370,000.

D) General Obligation Bonds Payable

Genesee School District #6 has issued general obligation bonds for the purpose of defraying the cost of various additions and improvements as follows:

DATE ISSUED	ISSUE AMOUNT	BONDS OUTSTANDING	INTEREST RATE
March 2, 1993	\$ 1,905,000	\$ 0	4.10% to 5.75%
March 1, 2000	7,015,000	895,000	4.75% to 5.30%
October 24, 2001	5,805,000	5,755,000	2.30% to 5.00%
March 25, 2004	1,370,000	1,370,000	2.00% to 3.80%

E) Durant Resolution Package Bonds

Genesee School District #6 issued Durant Resolution Bonds on November 24, 1998 in the amount of \$115,903.00 at the interest rate of 4.761353%. The bonds are a legal obligation of the school district but the annual State of Michigan appropriation is the only revenue source for making the annual debt service payments on the bonds. If the legislature fails to appropriate the bonds, the district is under no obligation for payment. The balance at June 30, 2004 was \$74,047. The legislature refinanced the repayment schedule during the year ended June 30, 2003.

F) Contracts & Notes Payable

Genesee School District #6 is indebted to Bank One on a bus note payable in the amount of \$133,228.00. The note require annual principal payments of \$24,879.07 including interest at 3.3494% per annum and matures April 15, 2009. The balance as of June 30, 2004 was \$20,417.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

11) GENERAL LONG-TERM DEBT (Continued)

G) Michigan School Bond Loan Fund

The School District has entered into a loan agreement with the Michigan School Bond Loan Fund to borrow monies over a period of years sufficient to extinguish the interest and principal requirements of the 1987 Debt Issue as they become due. The School is required to begin repaying the debt at the point where the School District's State Equalized Valuation times its levy will be in excess of its interest and principal requirements for the 1987 Debt Issue. The loan shall bear interest at the average interest rate computed to the nearest one-eighth of one percent, paid by the State on obligations issued pursuant to Section 16 of Article IX of the State Constitution of 1983. The balance payable at June 30, 2004 was \$2,544,170.

H) The annual principal requirements for all debts outstanding as of June 30, 2004 are as follows:

	Bus Note & Contracts Payable	Bonds Payable	Michigan School Bond Loan Fund	Interest	Total
June 30, 2005	\$21,101	\$350,000	\$0	\$366,314	\$737,415
June 30, 2006	21,807	260,610	0	350,668	633,085
June 30, 2007	22,538	265,876	0	340,636	629,050
June 30, 2008	23,293	287,090	0	339,293	649,676
June 30, 2009	24,073	431,450	0	806	456,329
June 30, 2010-2014	0	1,384,021	0	1,407,704	2,791,725
June 30, 2015-2019	0	1,550,000	0	1,092,278	2,642,278
June 30, 2020-2024	0	1,565,000	0	741,625	2,306,625
June 30, 2025-2029	0	2,000,000	0	310,000	2,310,000
Thereafter	0	0	2,544,170	0	2,544,170
<u>TOTAL</u>	<u>\$112,811</u>	<u>\$8,094,047</u>	<u>\$2,544,170</u>	<u>\$4,949,324</u>	<u>\$15,700,352</u>

The payment dates of sick days payable are undeterminable. There is no scheduled repayment dates for the Michigan School Bond Loan Payable. The interest expenditures on long-term obligations for the year were \$334,935.

I) Changes in General Long-Term Debt

	BALANCE			BALANCE	AMOUNT DUE
<u>Governmental Activities:</u>	<u>JULY 1, 2003</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>JUNE 30, 2004</u>	<u>IN ONE YEAR</u>
Bus Note & Contracts Payable	\$133,228	\$0	\$20,417	\$112,811	\$21,101
Bonds Payable	8,344,046	1,370,000	1,620,000	8,094,046	350,000
MI School Bond Loan Fund	2,173,241	370,929	0	2,544,170	0
Vacation & Sick Days Payable	82,176	0	17,797	64,379	0
<u>Total Governmental Activities</u>	<u>\$10,732,691</u>	<u>\$1,740,929</u>	<u>\$1,658,214</u>	<u>\$10,815,406</u>	<u>\$371,101</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

12) RESTATEMENT OF GOVERNMENT-WIDE NET ASSETS

For the fiscal year ended June 30, 2004, the School District implemented GASB Statement 34. As a result, capital assets and accumulated depreciation were recorded for the first time. Net assets were restated as of July 1, 2003 for the recording of accumulated depreciation. See July 1, 2003 balances illustrated in Note 9.

13) INTERFUND ACTIVITY

Interfund balances at June 30, 2004 consisted of the following:

DUE TO	DUE FROM		
	General Fund	Debt	
		Retirement Fund	TOTAL
Special Revenue	\$17,352	\$0	\$17,352
General Fund	0	11,788	11,788
<b><u>TOTAL</u></b>	<b><u>\$17,352</u></b>	<b><u>\$11,788</u></b>	<b><u>\$29,140</u></b>

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting systems, and (3) payments between funds are made.

14) INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2004, consisted of the following:

TRANSFERS TO	TRANSFERS FROM
	GENERAL FUND
Athletics Fund	<u>\$155,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them (2) move receipts restricted to debt service from the funds collecting the receipts to the fund servicing the debt as debt payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

15) DEFINED BENEFIT PENSION PLAN

Plan Description

The School District participates in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the School District. The MPERS provides retirement, survivor and disability benefits to plan members and their beneficiaries. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the MPERS at 7150 Harris Drive, PO Box 30673, Lansing, MI 48909-8103.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2004

---

15) DEFINED BENEFIT PENSION PLAN (Continued)

Funding Policy

Employer contributions to the MPSERS result from the implementing effects of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The pension benefit rate totals 12.99 percent for the period July 1, 2003 through September 30, 2003 and 12.99 percent for the period October 1, 2003 through June 30, 2004 of the covered payroll to the plan. Basic plan members make no contributions, but contribute to a member investment plan (MIP) at rates ranging from 3 percent to 4.3 percent of gross wages. The School District's contributions to the MPSERS pension plan for the years ended June 30, 2004, 2003 and 2002 were \$638,575, \$606,228.11 and \$547,225.38, respectively.

Postemployment Benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverages. Required contributions for postemployment health care benefits are included as part of the School District's total contribution to the MPSERS pension plan discussed above.

16) RISK MANAGEMENT

The District is exposed to various risks of loss in conducting its operations, from property and casualty theft, damage to various tort and liability claims and worker's compensation claims. The District limits its exposure to such claims through its participation in and payments of premiums to SET-SEG, Inc. Insurance Trust. This pool maintains a loss fund and is also required by the terms of the participation agreement to obtain insurance and reinsurance as necessary.

The terms of the participation agreement with the pool indicate that, should losses of the pool incurred in a given coverage period exceed the loss fund and the aggregate excess reinsurance, the fund may access its member districts on a pro-rata basis to cover excess losses. In past years the loss fund has exceeded the amount necessary to maintain prudent loss reserves, resulting in annual premium refunds to member districts. The District's management believes that participation in this pool provides sufficient coverage to protect the District from any significant adverse financial impact.

17) CONTINGENCIES AND COMMITMENTS

The District participates in a number of federally assisted grant programs, principal of which is Title I. These programs are subject to program compliance audits. The audits of these programs for and including the year ended June 30, 2004, have been conducted and have been reported in this audit report. However, the compliance audit reports have not yet been accepted by the grantors. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

REQUIRED  
SUPPLEMENTARY  
INFORMATION

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Budgeted Amounts</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<u>REVENUES</u>				
Local Sources	\$357,482	\$347,884	\$363,462	\$15,578
State Sources	6,688,099	6,654,730	6,621,315	(33,415)
Federal Sources	464,725	503,291	501,519	(1,772)
Total Revenues	<u>\$7,510,306</u>	<u>\$7,505,905</u>	<u>\$7,486,296</u>	<u>(\$19,609)</u>
<u>EXPENDITURES</u>				
Current:				
Instruction	5,400,904	5,675,619	5,417,471	258,148
Student Services	242,954	297,795	268,522	29,273
Instructional Support	167,784	166,892	166,861	31
General Administration	317,022	319,270	319,348	(78)
School Administration	525,823	509,448	509,219	229
Business Administration	46,800	51,202	44,759	6,443
Operation & Maintenance of Plant	645,474	629,718	629,821	(103)
Transportation	182,543	182,971	182,956	15
Support Services - Other	76,014	70,971	69,685	1,286
Community Services	10,866	13,320	13,124	196
Total Expenditures	<u>\$7,616,184</u>	<u>\$7,917,206</u>	<u>\$7,621,766</u>	<u>\$295,440</u>
Excess of Revenues Over Expenditures	<u>(\$105,878)</u>	<u>(\$411,301)</u>	<u>(\$135,470)</u>	<u>\$275,831</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>(98,900)</u>	<u>(95,958)</u>	<u>(118,841)</u>	<u>(22,883)</u>
Net Change in Fund Balance	<u>(\$204,778)</u>	<u>(\$507,259)</u>	<u>(\$254,311)</u>	<u>\$252,948</u>
<u>FUND BALANCE - BEGINNING</u>			<u>1,299,951</u>	
<u>FUND BALANCE - ENDING</u>			<u>\$1,045,640</u>	

OTHER SUPPLEMENTAL  
INFORMATION



GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
COMBINING BALANCE SHEET  
OTHER GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2004

	School Service Fund	Debt Service Fund	Total Other Governmental Funds
<u>ASSETS</u>			
Cash and Cash Equivalents	\$59,043	\$74,441	\$133,484
Due from Other Funds	0	11,788	11,788
Inventory	3,180	0	3,180
<u>TOTAL ASSETS</u>	<u>\$62,223</u>	<u>\$86,229</u>	<u>\$148,452</u>
<u>LIABILITIES</u>			
Accounts Payable	\$15,636	\$0	\$15,636
Due to Other Funds	17,352	0	17,352
Total Liabilities	\$32,988	\$0	\$32,988
<u>FUND BALANCES</u>			
Reserved For:			
Inventory	3,180	0	3,180
Debt Retirement	0	86,229	86,229
Unreserved:			
Undesignated, Reported In:			
School Service Fund	26,055	0	26,055
Total Fund Balances	\$29,235	\$86,229	\$115,464
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u>\$62,223</u>	<u>\$86,229</u>	<u>\$148,452</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
OTHER GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004

	School Service Fund	Debt Service Fund	Total Other Governmental Funds
<u>REVENUES</u>			
Local Sources	\$148,912	\$450,065	\$598,977
State Sources	17,567	0	17,567
Federal Sources	187,086	0	187,086
Total Revenues	<u>\$353,565</u>	<u>\$450,065</u>	<u>\$803,630</u>
<u>OTHER FINANCING SOURCES (USES)</u>	<u>155,000</u>	<u>277,483</u>	<u>432,483</u>
Total Revenues & Other Financing Sources	<u>\$508,565</u>	<u>\$727,548</u>	<u>\$1,236,113</u>
<u>EXPENDITURES</u>			
Food Service	543,304	0	543,304
Debt Service	0	698,309	698,309
Total Expenditures	<u>\$543,304</u>	<u>\$698,309</u>	<u>\$1,241,613</u>
Net Change in Fund Balance	<u>(\$34,739)</u>	<u>\$29,239</u>	<u>(\$5,500)</u>
<u>NET ASSETS - BEGINNING</u>	<u>63,974</u>	<u>56,990</u>	<u>120,964</u>
<u>NET ASSETS - ENDING</u>	<u><u>\$29,235</u></u>	<u><u>\$86,229</u></u>	<u><u>\$115,464</u></u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
SCHOOL SERVICE FUND  
COMBINING BALANCE SHEET  
AS OF JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$59,043	\$0	\$59,043
Inventory	<u>3,180</u>	<u>0</u>	<u>3,180</u>
<u>TOTAL ASSETS</u>	<u>\$62,223</u>	<u>\$0</u>	<u>\$62,223</u>
<u>LIABILITIES</u>			
Accounts Payable	\$0	\$15,636	\$15,636
Due from Other Funds	<u>14,718</u>	<u>2,634</u>	<u>17,352</u>
Total Liabilities	\$14,718	\$18,270	\$32,988
<u>FUND EQUITY</u>			
Reserved for Inventory	3,180	0	3,180
Unreserved and Undesignated	<u>44,325</u>	<u>(18,270)</u>	<u>26,055</u>
Total Fund Equity	<u>\$47,505</u>	<u>(\$18,270)</u>	<u>\$29,235</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$62,223</u>	<u>\$0</u>	<u>\$62,223</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
SCHOOL SERVICE FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>FOOD SERVICES</u>	<u>ATHLETIC ACTIVITIES</u>	<u>TOTALS</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Cafeteria Sales	\$72,462	\$0	\$72,462
Athletic Activities	0	20,478	20,478
Earnings on Investments and Deposits	148	0	148
Other Local Sources	25,392	30,432	55,824
Total Local Sources	<u>\$98,002</u>	<u>\$50,910</u>	<u>\$148,912</u>
<u>State Sources</u>			
State Reimbursements	17,567	0	17,567
<u>Federal Sources</u>			
Federal Reimbursements	175,216	0	175,216
Commodities	11,870	0	11,870
Total Federal Sources	<u>\$187,086</u>	<u>\$0</u>	<u>\$187,086</u>
Total Revenues	<u>\$302,655</u>	<u>\$50,910</u>	<u>\$353,565</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from General Fund	0	155,000	155,000
Total Revenues and Other Financing Sources	<u>\$302,655</u>	<u>\$205,910</u>	<u>\$508,565</u>
<u>EXPENDITURES</u>			
Salaries - Professional	28,539	25,962	54,501
Salaries - Non-Professional	90,481	75,066	165,547
Insurances	9,600	8,621	18,221
Fica, Retirement, Etc.	24,358	20,024	44,382
Other Benefits	1,500	0	1,500
Purchased Services	10,232	45,535	55,767
Supplies and Materials	134,009	22,989	156,998
Capital Outlay	0	31,368	31,368
Other	6,613	8,407	15,020
Total Expenditures	<u>\$305,332</u>	<u>\$237,972</u>	<u>\$543,304</u>
<u>EXCESS REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</u>	<u>(\$2,677)</u>	<u>(\$32,062)</u>	<u>(\$34,739)</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$50,182</u>	<u>\$13,792</u>	<u>\$63,974</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$47,505</u>	<u>(\$18,270)</u>	<u>\$29,235</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
DEBT RETIREMENT FUND  
COMBINING BALANCE SHEET  
AS OF JUNE 30, 2004

	<u>BOND ISSUE DATE</u>		<u>TOTALS</u>
	<u>1993 &amp; 2004</u>	<u>2000 &amp; 2001</u>	
<u>ASSETS</u>			
Cash and Cash Equivalents	\$52,417	\$22,024	\$74,441
Due from Other Funds	4,944	6,844	11,788
<u>TOTAL ASSETS</u>	<u>\$57,361</u>	<u>\$28,868</u>	<u>\$86,229</u>
<u>FUND EQUITY</u>			
Reserved for Debt Retirement	<u>\$57,361</u>	<u>\$28,868</u>	<u>\$86,229</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
DEBT RETIREMENT FUND  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2004

	<u>BOND ISSUE DATE</u>		<u>TOTAL</u> <u>AFTER</u> <u>INTRA-FUND</u> <u>ELIMINATIONS</u>
	<u>1993 &amp; 2004</u>	<u>2000 &amp; 2001</u>	
<u>REVENUES</u>			
<u>Local Sources</u>			
Property Tax Levy	\$197,411	\$251,251	\$448,662
Earnings on Investments and Deposits	607	796	1,403
Total Local Sources	<u>\$198,018</u>	<u>\$252,047</u>	<u>\$450,065</u>
<u>OTHER FINANCING SOURCES</u>			
Transfers from Other Debt Funds	0	314,000	0
Bond Proceeds	1,370,000	0	1,370,000
School Bond Loan Proceeds	305,660	0	305,660
Total Financing Sources	<u>\$1,675,660</u>	<u>\$314,000</u>	<u>\$1,675,660</u>
Total Revenues and Other Financing Sources	<u>\$1,873,678</u>	<u>\$566,047</u>	<u>\$2,125,725</u>
<u>EXPENDITURES</u>			
Redemption of Bonds	90,000	235,000	325,000
Interest on Bonded Debt	42,024	330,473	372,497
Other Debt Retirement Expense	537	275	812
Total Expenditures	<u>\$132,561</u>	<u>\$565,748</u>	<u>\$698,309</u>
<u>OTHER FINANCING USES</u>			
Transfers to Other Debt Funds	314,000	0	0
Bond Closing Costs	39,425	0	39,425
Payments to Escrow Agent	1,336,980	0	1,336,980
Bond Premiums	21,772	0	21,772
Total Other Financing Uses	<u>\$1,712,177</u>	<u>\$0</u>	<u>\$1,398,177</u>
Total Expenditures and Other Financing Uses	<u>\$1,844,738</u>	<u>\$565,748</u>	<u>\$2,096,486</u>
<u>EXCESS REVENUES AND OTHER FINANCING</u> <u>SOURCES OVER (UNDER) EXPENDITURES</u> <u>AND FINANCING SOURCES</u>	<u>\$28,940</u>	<u>\$299</u>	<u>\$29,239</u>
<u>FUND BALANCE - BEGINNING OF YEAR</u>	<u>\$28,421</u>	<u>\$28,569</u>	<u>\$56,990</u>
<u>FUND BALANCE - END OF YEAR</u>	<u>\$57,361</u>	<u>\$28,868</u>	<u>\$86,229</u>

INDIVIDUAL FUND SCHEDULES OF  
REVENUES, EXPENDITURES AND  
OTHER FINANCING USES

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
GENERAL FUND  
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES - BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

<u>Local Sources</u>	
Property Tax Levy	\$271,928
Earnings on Investments and Deposits	15,850
Tuition	8,050
Medicaid	22,615
SKIP Program	1,383
Other Local Revenues	43,636
Total Revenues from Local Sources	<u>\$363,462</u>
<u>State Sources</u>	
Unrestricted State Aid - Membership	6,085,750
Restricted	
At Risk	223,046
Durant	11,590
Special Education	234,175
Michigan School Readiness	59,400
Gifted and Talented	825
Driver Education	6,529
Total Revenues from State Sources	<u>\$6,621,315</u>
<u>Federal Sources</u>	
Title I	210,941
Title V	4,059
Improving Teacher Quality	44,389
IDEA Flowthrough	223,062
Preschool Incentive	7,730
PEP-C.M. Physical Education Grant	3,985
Tech Literacy Grant	7,203
WIA Year Round Youth	150
Total Revenues from Federal Sources	<u>\$501,519</u>
Total Revenues	<u>\$7,486,296</u>
<u>OTHER FINANCING SOURCES</u>	
Act 18 Receipts	56,233
Refund - Prior Year Expenses	343
Total Other Financing Sources	<u>\$56,576</u>
<u>TOTAL REVENUES AND OTHER FINANCING SOURCES</u>	<u><u>\$7,542,872</u></u>



GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTIONBASIC PROGRAMSElementary

Salaries - Professional	\$1,303,396
Salaries - Non-Professional	86,279
Insurances	290,570
Fica, Retirement, Etc.	290,959
Other Benefits	20,874
Purchased Services	28,188
Supplies and Materials	50,502
Other	762
Total Elementary	<u>\$2,071,530</u>

High School

Salaries - Professional	1,264,180
Salaries - Non-Professional	44,219
Insurances	221,725
Fica, Retirement, Etc.	272,888
Other Benefits	31,470
Purchased Services	53,329
Supplies and Materials	54,652
Other	3,707
Total High School	<u>\$1,946,170</u>

Preschool

Salaries - Professional	33,725
Salaries - Non-Professional	5,121
Insurances	13,184
Fica, Retirement, Etc.	8,087
Purchased Services	834
Supplies and Materials	1,659
Other	113
Total Preschool	<u>\$62,723</u>

Total Basic Programs

\$4,080,423

ADDED NEEDSSpecial Education

Salaries - Professional	393,946
Salaries - Non-Professional	175,730
Insurances	84,928
Fica, Retirement, Etc.	121,997
Other Benefits	42,544
Purchased Services	54,523
Supplies and Materials	59,453
Other	165
Total Special Education	<u>\$933,286</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2004

INSTRUCTION (Continued)ADDED NEEDS (Continued)Compensatory Education

Salaries - Professional	\$125,299
Salaries - Non-Professional	138,150
Insurances	18,963
Fica, Retirement, Etc.	56,091
Other Benefits	10,769
Purchased Services	6,726
Supplies and Materials	47,684
Other	80
Total Compensatory Education	<u>\$403,762</u>

Total Added Needs	<u>\$1,337,048</u>
-------------------	--------------------

<u>Total Instruction</u>	\$5,417,471
--------------------------	-------------

SUPPORT SERVICESStudent Services

Salaries - Professional	147,761
Salaries - Non-Professional	4,444
Insurances	38,137
Fica, Retirement, Etc.	31,545
Other Benefits	5,023
Purchased Services	9,275
Supplies and Materials	32,212
Other	125
Total Student Services	<u>\$268,522</u>

Instructional Staff

Salaries - Professional	95,149
Salaries - Non-Professional	15,668
Insurances	14,500
Fica, Retirement, Etc.	17,911
Other Benefits	638
Purchased Services	9,318
Supplies and Materials	13,402
Other	275
Total Instructional Staff	<u>\$166,861</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2004

---

SUPPORT SERVICES (Continued)

General Administration

Salaries - Professional	\$107,761
Salaries - Non-Professional	70,336
Insurances	26,568
Fica, Retirement, Etc.	34,151
Other Benefits	1,834
Purchased Services	58,174
Supplies and Materials	10,572
Other	9,952
Total General Administration	<u>\$319,348</u>

School Administration

Salaries - Professional	230,803
Salaries - Non-Professional	113,559
Insurances	71,226
Fica, Retirement, Etc.	68,525
Other Benefits	1,913
Purchased Services	10,211
Supplies and Materials	9,947
Other	3,035
Total School Administration	<u>\$509,219</u>

Business Administration

Insurances	31,702
Other	13,057
Total Business Administration	<u>\$44,759</u>

Operation and Maintenance of Plant

Salaries - Non-Professional	195,373
Insurances	83,673
Fica, Retirement, Etc.	41,210
Other Benefits	2,550
Purchased Services	171,058
Supplies and Materials	135,567
Other	390
Total Operation and Maintenance of Plant	<u>\$629,821</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
GENERAL FUND  
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES  
FOR THE YEAR ENDED JUNE 30, 2004

---

SUPPORT SERVICES (Continued)

Pupil Transportation

Salaries - Professional	\$7,001
Salaries - Non-Professional	96,056
Insurances	9,776
Fica, Retirement, Etc.	21,838
Other Benefits	784
Purchased Services	31,514
Supplies and Materials	11,260
Other	4,727
Total Pupil Transportation	<u>\$182,956</u>

Other Support Services

Salaries - Professional	36,050
Salaries - Non-Professional	1,387
Insurances	13,381
Fica, Retirement, Etc.	7,560
Purchased Services	89
Supplies and Materials	11,218
Total Other Support Services	<u>\$69,685</u>

Total Support Services

\$2,191,171

COMMUNITY SERVICES

Salaries - Professional	5,029
Salaries - Non-Professional	2,583
Fica, Retirement, Etc.	1,571
Purchased Services	40
Supplies and Materials	3,775
Other	126
Total Community Services	<u>\$13,124</u>

Total Expenditures

\$7,621,766

OTHER FINANCING USES

Transfers to Other Funds	155,000
Loan Payments	20,417
Total Other Financing Uses	<u>\$175,417</u>

TOTAL EXPENDITURES AND OTHER  
FINANCING USES

\$7,797,183

## GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN

## TRUST AND AGENCY FUND

## SCHEDULE OF RECEIPTS AND DISBURSEMENTS - STUDENT ACTIVITY ACCOUNTS

FOR THE YEAR ENDED JUNE 30, 2004

STUDENT ACTIVITY	DUE TO (FROM) STUDENT GROUPS		DUE TO (FROM) STUDENT GROUPS	
	JULY 1, 2003	RECEIPTS	DISBURSEMENTS	JUNE 30, 2004
Alumni Fund	\$83	\$0	\$0	\$83
Athletic Leadership Account	471	409	683	197
Band	2,208	8,045	9,191	1,062
Dorothy Baker Scholarship	2,854	1,503	1,000	3,357
Business Office Education Club (B.P.A.)	344	0	0	344
Cheerleaders	(32)	913	873	8
Chorus Account	908	1,417	2,059	266
Class of 2003	974	0	974	0
Class of 2004	518	2,047	2,081	484
Class of 2005	253	11,754	10,072	1,935
Class of 2006	1,077	2,069	1,900	1,246
Class of 2007	125	3,390	2,613	902
Class of 2008	139	0	0	139
Class of 2009	0	384	44	340
Chris Amanda Cuneaz Scholarshi	61,315	9,153	4,000	66,468
Drama Club	1,058	1,693	2,357	394
Field Trip - Elem	0	15,005	14,482	523
Field Trip - JH / HS	0	2,740	2,740	0
Flower Fund	1,967	2,364	3,582	749
Genesee Lions/ess Club	540	2,000	1,500	1,040
Genesee Playground Fund	228,648	0	228,648	0
Honor Society	918	4,056	4,521	453
Jack P. Haas Scholarship	17,728	3,980	1,500	20,208
Thomas Huggler Scholarship	3,067	1,084	750	3,401
Journalism Account	430	105	109	426
Library Fund - Elementary	2,963	14,884	15,082	2,765
Miscellaneous	1,644	5,560	5,876	1,328
POM Club	575	7,721	5,158	3,138
Marjorie Reid Scholarship	2,074	17	500	1,591
S.A.D.D.	925	1,002	1,647	280
School Store	6	0	0	6
Soft Drink Machine	6,196	2,662	2,241	6,617
Sophomore/Jr. Trip Fund	(13)	1,212	0	1,199
Spanish Club	0	184	0	184
Student Council	1,717	12,951	14,274	394
Summer Recreation	2,343	854	6,356	(3,159)
Track Fund	200	3,148	0	3,348
Washington Trip Fund	1,511	0	0	1,511
Yearbook 02-03	(962)	1,978	1,528	(512)
Yearbook 03-04	0	6,173	7,414	(1,241)
<u>TOTAL</u>	<u>\$344,772</u>	<u>\$132,457</u>	<u>\$355,755</u>	<u>\$121,474</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
GENERAL OBLIGATION SERIAL BONDS  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
AS OF JUNE 30, 2004

1998 DURANT				
<u>Payment Date</u>	<u>Interest Requirement</u>	<u>Rate</u>	<u>Principal Requirement</u>	<u>Total Requirement</u>
2004-2005	\$0	4.761353%	\$0	\$0
2005-2006	2,529	4.761353%	5,610	8,139
2006-2007	2,262	4.761353%	5,876	8,138
2007-2008	11,319	4.761353%	27,090	38,409
2008-2009	1,689	4.761353%	6,450	8,139
2009-2010	1,382	4.761353%	6,757	8,139
2010-2011	1,060	4.761353%	7,079	8,139
2011-2012	723	4.761353%	7,416	8,139
2012-2013	370	4.761353%	7,769	8,139
<u>TOTALS</u>	<u>\$21,334</u>		<u>\$74,047</u>	<u>\$95,381</u>

2000 SCHOOL BUILDING & SITE BONDS					
<u>Payment Date</u>	<u>Principal Requirement</u>	<u>Rate</u>	<u>May Interest Requirement</u>	<u>Nov Interest Requirement</u>	<u>Total Requirement</u>
2004-2005	\$215,000	4.95%	\$22,990	\$22,990	\$260,980
2005-2006	120,000	5.05%	17,669	17,669	155,338
2006-2007	130,000	5.15%	14,639	14,639	159,278
2007-2008	135,000	5.20%	11,291	11,291	157,582
2008-2009	145,000	5.25%	7,781	7,781	160,562
2009-2010	150,000	5.30%	3,975	3,975	157,950
<u>TOTALS</u>	<u>\$895,000</u>		<u>\$78,345</u>	<u>\$78,345</u>	<u>\$1,051,690</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
GENERAL OBLIGATION SERIAL BONDS  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
AS OF JUNE 30, 2004

2001 REFUNDING BONDS					
<u>Payment Date</u>	<u>Principal Requirement</u>	<u>Rate</u>	<u>May Interest Requirement</u>	<u>Nov Interest Requirement</u>	<u>Total Requirement</u>
2004-2005	\$25,000	2.90%	\$136,822	\$136,823	\$298,645
2005-2006	25,000	3.10%	136,460	136,460	297,920
2006-2007	25,000	3.40%	136,072	136,073	297,145
2007-2008	25,000	3.65%	135,648	135,647	296,295
2008-2009	30,000	3.75%	135,191	135,191	300,382
2009-2010	30,000	3.85%	134,629	134,629	299,258
2010-2011	190,000	3.95%	134,051	134,051	458,102
2011-2012	200,000	4.05%	130,299	130,299	460,598
2012-2013	205,000	4.20%	126,249	126,248	457,497
2013-2014	210,000	4.35%	121,944	121,944	453,888
2014-2015	220,000	4.45%	117,376	117,376	454,752
2015-2016	235,000	4.55%	112,481	112,481	459,962
2016-2017	245,000	4.65%	107,135	107,135	459,270
2017-2018	255,000	4.75%	101,439	101,439	457,878
2018-2019	270,000	4.85%	95,383	95,382	460,765
2019-2020	285,000	4.90%	88,835	88,835	462,670
2020-2021	295,000	4.90%	81,852	81,853	458,705
2021-2022	310,000	5.00%	74,625	74,625	459,250
2022-2023	330,000	5.00%	66,875	66,875	463,750
2023-2024	345,000	5.00%	58,625	58,625	462,250
2024-2025	360,000	5.00%	50,000	50,000	460,000
2025-2026	380,000	5.00%	41,000	41,000	462,000
2026-2027	400,000	5.00%	31,500	31,500	463,000
2027-2028	420,000	5.00%	21,500	21,500	463,000
2028-2029	440,000	5.00%	11,000	11,000	462,000
<u>TOTALS</u>	<u>\$5,755,000</u>		<u>\$2,386,991</u>	<u>\$2,386,991</u>	<u>\$10,528,982</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
GENERAL OBLIGATION SERIAL BONDS  
SCHEDULE OF BOND PRINCIPAL AND INTEREST REQUIREMENTS  
AS OF JUNE 30, 2004

2004 REFUNDING BONDS					
<u>Payment Date</u>	<u>Principal Requirement</u>	<u>Rate</u>	<u>May Interest Requirement</u>	<u>Nov Interest Requirement</u>	<u>Total Requirement</u>
2004-2005	\$110,000	2.00%	\$23,406	\$19,505	\$152,911
2005-2006	110,000	2.00%	18,405	18,405	146,810
2006-2007	105,000	2.00%	17,305	17,305	139,610
2007-2008	100,000	2.25%	16,255	16,255	132,510
2008-2009	100,000	2.50%	15,130	15,130	130,260
2009-2010	100,000	2.60%	13,880	13,880	127,760
2010-2011	100,000	2.80%	12,580	12,580	125,160
2011-2012	110,000	3.00%	11,180	11,180	132,360
2012-2013	110,000	3.25%	9,530	9,530	129,060
2013-2014	100,000	3.45%	7,743	7,743	115,486
2014-2015	100,000	3.60%	6,018	6,018	112,036
2015-2016	115,000	3.70%	4,218	4,218	123,436
2016-2017	110,000	3.80%	2,089	2,089	114,178
<u>TOTALS</u>	<u>\$1,370,000</u>		<u>\$157,739</u>	<u>\$153,838</u>	<u>\$1,681,577</u>



GENESEE SCHOOL DISTRICT #6

GENESEE, MICHIGAN

FEDERAL AWARDS  
SUPPLEMENTAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2004

## CONTENTS

	<u>PAGE</u>
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	2 – 3
Schedule of Expenditures of Federal Awards for the year ended June 30, 2004	4 – 5
Notes/Reconciliation to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2004	6
Reconciliation of Form R7120 "Grant Section Auditor's Report" to the Schedule of Expenditures of Federal Awards for the year ended June 30, 2004	7
Schedule of Findings and Questioned Costs for the year ended June 30, 2004	8 – 9
Status of Prior Year Findings	9



*Lewis & Knopf, CPAs, P.C.*

"Serving You with Trust and Integrity"

August 3, 2004

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Education of  
Genesee School District #6

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Genesee School District #6, as of and for the year ended June 30, 2004, which collectively comprise the Genesee School District #6's basic financial statements and have issued our report thereon dated August 3, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Genesee School District #6's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Genesee School District #6, in a separate letter dated August 3, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Genesee School District #6's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Genesee School District #6, in a separate letter dated August 3, 2004.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lewis & Knopf PC*  
LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS



*Lewis & Knopf, CPAs, P.C.*

"Serving You with Trust and Integrity"

August 3, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133**

To the Board of Education of  
Genesee School District #6

Compliance

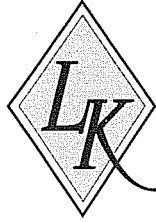
We have audited the compliance of Genesee School District #6 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Genesee School District #6's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Genesee School District #6's management. Our responsibility is to express an opinion on Genesee School District #6's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Genesee School District #6's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Genesee School District #6's compliance with those requirements.

In our opinion, Genesee School District #6 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2004-1.

Internal Control Over Compliance

The management of Genesee School District #6 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Genesee School District #6's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.



Genesee School District #6

Page 2

August 3, 2004

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Lewis & Knopf PC*  
LEWIS & KNOFF, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed Through Michigan Department of Education:			
Title I Grants to Local Education Agencies	84.010		
ESEA Title I - Regular (02-03)		1530-0203	\$199,791
ESEA Title I - Regular (03-04)		041530-0304	180,024
Total Title I Grants to Local Education Agencies			<u>\$379,815</u>
Innovative Education Program Strategies	84.298		
ESEA Title VI Regular (03-04)		040250-0304	4,059
Technology Literacy Challenge Grant	84.318		
Technology Literacy Challenge Grant (03-04)		034290-0304	5,765
Technology Literacy Challenge Grant (03-04)		044290-0304	4,377
Total Technology Literacy Challenge Grant			<u>\$10,142</u>
Improving Teacher Quality	84.367		
Improving Teacher Quality (03-04)		040520-0304	44,389
Total Passed Through Michigan Department of Education			<u>\$438,405</u>
Passed Through Genesee Intermediate School District:			
Special Education - Grants to States	84.027		
IDEA Flow Through (02-03)		030450-0203	163,846
Transition Services (03-04)		040490-TS	919
IDEA Flow Through (03-04)		040450-0304	218,361
Total Special Education Grants to States			<u>\$383,126</u>
Special Education - Preschool Grants	84.173		
IDEA Preschool Incentive (02-03)		030460-0203	6,622
IDEA Preschool Incentive (03-04)		040460-0304	5,990
Total Special Education - Preschool Grants			<u>\$12,612</u>
PEP-C.M. White Physical Fitness (02-03)	84.215F	Q215F031137	3,985
Total Passed Through Genesee Intermediate School District			<u>\$399,723</u>
<u>TOTAL U.S. DEPARTMENT OF EDUCATION</u>			<u><u>\$838,128</u></u>

ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR CASH EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$8,994	\$157,605	\$42,186	\$0	\$51,180	\$0
0	0	168,755	0	169,799	(1,044)
<u>\$8,994</u>	<u>\$157,605</u>	<u>\$210,941</u>	<u>\$0</u>	<u>\$220,979</u>	<u>(\$1,044)</u>
0	0	4,059	0	4,059	0
0	0	5,765	0	5,765	0
0	0	1,438	0	1,438	0
<u>\$0</u>	<u>\$0</u>	<u>\$7,203</u>	<u>\$0</u>	<u>\$7,203</u>	<u>\$0</u>
0	0	44,389	0	44,389	0
<u>\$8,994</u>	<u>\$157,605</u>	<u>\$266,592</u>	<u>\$0</u>	<u>\$276,630</u>	<u>(\$1,044)</u>
0	159,890	3,956	0	3,956	0
0	0	745	0	919	(174)
0	0	218,361	0	97,229	121,132
<u>\$0</u>	<u>\$159,890</u>	<u>\$223,062</u>	<u>\$0</u>	<u>\$102,104</u>	<u>\$120,958</u>
0	4,882	1,740	0	1,740	0
0	0	5,990	0	0	5,990
<u>\$0</u>	<u>\$4,882</u>	<u>\$7,730</u>	<u>\$0</u>	<u>\$1,740</u>	<u>\$5,990</u>
0	0	3,985	0	3,985	0
<u>\$0</u>	<u>\$164,772</u>	<u>\$234,777</u>	<u>\$0</u>	<u>\$107,829</u>	<u>\$126,948</u>
<u><u>\$8,994</u></u>	<u><u>\$322,377</u></u>	<u><u>\$501,369</u></u>	<u><u>\$0</u></u>	<u><u>\$384,459</u></u>	<u><u>\$125,904</u></u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS- THROUGH PROJECT NUMBER	APPROVED GRANT AWARD AMOUNT
<u>US DEPARTMENT OF AGRICULTURE</u>			
Passed Through Michigan Department of Education:			
Food Distribution	10.550	N/A	
Entitlement Commodities			\$11,374
Bonus Commodities			958
Total Food Distribution			<u>\$12,332</u>
National School Breakfast Program	10.553	N/A	56,849
National School Lunch Program	10.555	N/A	115,975
Special Milk Program for Children	10.556	N/A	<u>2,391</u>
<u>TOTAL US DEPARTMENT OF AGRICULTURE</u>			\$187,547
<u>U.S. DEPARTMENT OF LABOR</u>			
Passed Through Genesee Intermediate School District:			
WIA Title I Year Round Youth Services (03-04)	17.259	0007-K-03	<u>150</u>
<u>TOTAL FEDERAL AWARDS</u>			<u><u>\$1,025,825</u></u>



ACCRUED (DEFERRED) REVENUE JULY 1, 2003	PRIOR YEAR EXPENDITURES	CURRENT YEAR CASH EXPENDITURES	ADJUSTMENTS PRIOR YEARS	CURRENT YEAR CASH/ PAYMENTS IN KIND RECEIVED	ACCRUED (DEFERRED) REVENUE JUNE 30, 2004
\$0	\$0	\$10,913	\$0	\$10,913	\$0
0	0	958	0	958	0
<u>\$0</u>	<u>\$0</u>	<u>\$11,871</u>	<u>\$0</u>	<u>\$11,871</u>	<u>\$0</u>
0	0	56,849	0	56,849	0
0	0	115,975	0	115,975	0
<u>0</u>	<u>0</u>	<u>2,391</u>	<u>0</u>	<u>2,391</u>	<u>0</u>
\$0	\$0	\$187,086	\$0	\$187,086	\$0
0	0	150	0	150	0
<u>\$8,994</u>	<u>\$322,377</u>	<u>\$688,605</u>	<u>\$0</u>	<u>\$571,695</u>	<u>\$125,904</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
NOTES/RECONCILIATION TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

---

FEDERAL REVENUE RECOGNIZED FOR THE SCHEDULE  
OF EXPENDITURES OF FEDERAL AWARDS

\$688,605

FEDERAL REVENUE RECOGNIZED PER THE GENERAL  
PURPOSE FINANCIAL STATEMENTS

General Fund \$501,519

School Service Fund 187,086

TOTAL \$688,605

- 1) The Schedule of Expenditures of Federal Awards had been prepared under the modified accrual basis of accounting.
- 2) Management has utilized the Grants Section Auditors Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards. All differences between the Schedule of Expenditures of Federal Awards and the Form R7120 have been reconciled in the attached reconciliation on page 7 of this report.
- 3) As of the date of completion of fieldwork, the Schedule of Transfers to Sub-Recipients from the Intermediate School Districts was not available. The amounts shown on the Schedule of Federal Financial Assistance as flow through from the Intermediate School Districts may not be conclusive.

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
RECONCILIATION OF FORM R 7120 "GRANT SECTION AUDITOR'S REPORT"  
TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2004

---

Current Payments Per the Grant Section Auditor's Report (Form R 7120)		\$464,892
<u>Less:</u> State Funded Grants		
Driver Education	(\$6,529)	
School Breakfast Program State Funds	(6,518)	
Total State Funded Grants		(13,047)
<u>Add:</u> Grants Passed Through Genesee Intermediate School District:		
Special Education Grants (CFDA 84.027)	\$102,104	
Special Education - Preschool Grants (CFDA 84.173)	1,740	
PEP-C.M. White Physical Fitness (CFDA 84.215F)	3,985	
WIA Title I Year Round Youth Services (CFDA 17.259)	150	
Total Grants Passed Through Genesee Intermediate School District		107,979
Entitlement and Bonus Commodities (CFDA 10.550)		11,871
<u>TOTAL CURRENT YEAR RECEIPTS PER SCHEDULE OF</u> <u>EXPENDITURES OF FEDERAL AWARDS</u>		<u>\$571,695</u>

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2004

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

---

**Financial Statements**

Type of auditor’s report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ Yes ☒ None reported

Noncompliance material to financial statements noted?

☐ Yes ☒ No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Reportable condition(s) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

☒ Yes ☐ No

Identification of major programs:

CFDA Number(s)  
84.010

Name of Federal Program or Cluster  
Title I Grants to Local Educational Agencies

Dollar threshold use to distinguish between type A and type B programs:

\$ 300,000.00

Qualified as low-risk auditee?

☒ Yes ☐ No

GENESEE SCHOOL DISTRICT #6 - GENESEE, MICHIGAN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2004

---

2004-1) Title I (CFDA #84.010)

<u>Specific Requirement:</u>	Allowable Cost/Cost Principles.
<u>Condition:</u>	The District did not complete the time certifications required for employees working solely on a single Federal award or cost objective.
<u>Criteria:</u>	The cost principles of OMB Circular A-87 require, "Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee".
<u>Effect of Condition:</u>	Salaries and wages charged to the program could be disallowed.
<u>Cause of Condition:</u>	The cause of the condition was the lack of knowledge of the requirement of the Circular in regards to the need for time certification.
<u>Recommendation:</u>	The District should develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Management Response:</u>	The District will develop a standard time certification form and have the appropriate employee or other supervisory employee complete the certifications every six months.
<u>Questioned Cost:</u>	None.

STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

There were no prior year findings.



*Lewis & Knopf, CPAs, P.C.*

"Serving You with Trust and Integrity"

August 3, 2004

To the Board of Education of  
Genesee School District Number 6

In planning and performing our audit of the general purpose financial statements of Genesee School District Number 6 for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Genesee School District Number 6's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

The following items of immaterial internal control or administrative consideration came to our attention.

CURRENT YEAR FINDINGS

1. Budgets and Budgetary Accounting

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2004, Genesee School District Number 6 incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated.

2. Segregation of Duties

Due to the limited size of Genesee School District Number 6's accounting staff, ideal segregation of responsibilities for internal control purposes is impractical. An effective system of internal accounting control contemplates an adequate separation of duties so that no one individual handles a transaction from its inception to its completion. We recognize that Genesee School District Number 6 is not large enough to make the employment of additional persons, for the purpose of separating duties, practical from a financial standpoint; but we are required, under our professional responsibilities to call this situation to your attention.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended for the information of Genesee School District Number 6's Board of Education and management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

*Lewis & Knopf P.C.*  
LEWIS & KNOFF, P.C.

CERTIFIED PUBLIC ACCOUNTANTS